



**LEMBAGA HASIL DALAM NEGERI  
INLAND REVENUE BOARD**

**PUBLIC RULING**

**LIVING ACCOMMODATION BENEFIT  
PROVIDED FOR THE EMPLOYEE  
BY THE EMPLOYER**

*Translation from the original Bahasa Malaysia text*

**PUBLIC RULING NO. 3/2005**

**DATE OF ISSUE: 11 AUGUST 2005**



**LIVING ACCOMMODATION BENEFIT  
PROVIDED FOR THE EMPLOYEE  
BY THE EMPLOYER**

**LEMBAGA HASIL DALAM NEGERI  
MALAYSIA**

**Public Ruling No. 3/2005  
Date of Issue: 11 August 2005**

<b>CONTENTS</b>	<b>Page</b>
1. Introduction	1
2. Interpretation	1
3. Tax treatment of living accommodation benefit provided	3
4. Computation of value of living accommodation	4
5. First Category : Living accommodation provided for employee (other than officer of Government/Statutory Bodies) or service director by the employer	4
6. Second Category : Living accommodation provided for directors of controlled companies by the employer	7
7. Third Category : Living accommodation for employee / service director / Government or Statutory Body officer	9
8. Living accommodation provided for part of the basis period	10
9. Expenses related to living accommodation provided by the employer which are deductible and method of computation	11
10. Effective date	15

**DIRECTOR GENERAL'S PUBLIC RULING**

A Public Ruling is issued for the purpose of providing guidance for the public and officers of the Inland Revenue Board. It sets out the interpretation of the Director General of Inland Revenue in respect of the particular tax law, and the policy and procedure that are to be applied.

A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling which is inconsistent with it.

**Director General of Inland Revenue,  
Malaysia**



**LEMBAGA HASIL DALAM NEGERI  
MALAYSIA**

**LIVING ACCOMMODATION BENEFIT  
PROVIDED FOR THE EMPLOYEE  
BY THE EMPLOYER**

**Public Ruling No. 3/2005  
Date of Issue: 11 August 2005**

1. This Ruling explains:
  - i. the tax treatment of living accommodation provided for an employee by his employer;
  - ii. the method used to calculate the value of that benefit;
  - iii. the circumstances in which the value of that benefit can be reduced; and
  - iv. the expenses related to such benefit which can be deducted for income tax purposes and the method of calculation.
2. The related provisions for the benefit of living accommodation provided for the employee by his employer are sections 2, 13, 18, 32, 33 and 38 of the Income Tax Act, 1967 (ITA).
3. The words used in this Ruling have the following meanings:
  - 3.1 “Employer”, in relation to an employment, means -
    - a. where the relationship of master and servant subsists, the master;
    - b. where that relationship does not subsist, the person who pays or is responsible for paying any remuneration to the employee who has the employment, notwithstanding that that person and the employee may be the same person acting in different capacities.
  - 3.2 “Defined value”, in relation to living accommodation provided for an employee by his employer, means -
    - a. where the accommodation is not affected by any written law providing for the restriction or control of rents and the person so providing the accommodation holds the accommodation on lease the rent which is or would have been paid if the accommodation is or had been unfurnished and the lessor and lessee were independent persons dealing at arm’s length;
    - b. in any other case, the “rateable value” or, in the absence of a rateable value, the “economic rent”.
  - 3.3 “Rateable value”, in relation to premises, means the annual value as determined for rating purposes by the local rating authority such as City Hall, the Municipal Council and other similar authorities for the purpose of imposition of assessment rates.
  - 3.4 “Market value”, in relation to any thing, means the price which that thing would fetch if sold in a transaction between independent persons dealing at arm’s length.



- 
- 3.5 “Employee”, in relation to an employment, means -
- a. where the relationship of master and servant subsists, the servant;
  - b. where that relationship does not subsist, the holder of the appointment or office which constitutes the employment.
- 3.6 “Gross income from an employment under paragraph 13(1)(a) of the ITA” includes wages, salary, remuneration, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (whether in money or otherwise) in respect of having or exercising the employment.
- 3.7 “Employment” means -
- a. employment in which the relationship of master and servant subsists;
  - b. any appointment or office, whether public or not and whether or not that relationship subsists, for which remuneration is payable.
- 3.8 “Director”, in relation to a company, includes -
- a. any person occupying the position of director (by whatever name called);
  - b. any person in accordance with whose directions or instructions the directors are accustomed to act; and
  - c. any person who is -
    - a manager of the company or otherwise concerned in the management of the company’s business;
    - remunerated out of the funds of that business; and
    - either on his own or with one or more associates within the meaning of subsection 139(7) of the ITA, is the beneficial owner of (or able directly or through the medium of other companies or by any other indirect means to control) 20% or more of the ordinary share capital of the company.
- 3.9 “Service director”, in relation to a company, means a director who is employed in the service of the company in a managerial or technical capacity, and is not, either on his own or with any associate or associates, the beneficial owner of (or able directly or through the medium of other companies or by any other indirect means to control) more than 5% of the ordinary share capital of the company.
- 3.10 “Premises” means a building (or, where a building is divided into separate parts used or capable of being used as separate residential flats or otherwise as separate tenements, any one of those parts) and includes -



- 
- a. any other building or part of a building used or intended to be used in conjunction therewith as domestic offices or for some other ancillary purpose; and
- b. any land attached thereto for use by way of amenity as garden or grounds.
- 3.11 “Economic rent”, in relation to any premises or part of any premises, means the rent at which premises might reasonably be expected to be let if -
- a. the lessor covenanted to pay the cost of fire insurance, public rates and work of repair and maintenance; and
- b. any written law providing for the restriction or control of rents were disregarded.
- 3.12 “Controlled company” means a company having not more than fifty members and controlled, in the manner described by section 139 of the ITA, by not more than five persons.
- 3.13 “Basis period” for a year of assessment in relation to an employment source of an individual is year ended 31 December.
- 3.14 “Year of assessment” (Y/A) means calendar year.
- 4. Tax treatment of living accommodation benefit provided**
- 4.1 Living accommodation provided for the employee by his employer is a benefit-in-kind which is not convertible into money. This benefit which arises in respect of having or exercising an employment is to be included as gross income of the employee from the employment.
- 4.2 The value of this benefit is taxable specifically under paragraph 13(1)(c) of the ITA. The amount to be taken into account in the gross income from employment is the amount in respect of the use or enjoyment by the employee of living accommodation **in Malaysia** (including living accommodation in premises occupied by his employer) provided for the employee by or on behalf of the employer rent free or otherwise.
- 4.3 The value of the benefit to be treated as gross income from employment under paragraph 13(1)(c) of the ITA is the value of the unfurnished accommodation, without taking into account the value of other benefits or amenities provided. Therefore, if furniture is provided together with the accommodation, the value of this benefit (furniture) is to be included as gross income from employment under paragraph 13(1)(b) of the ITA.



- 4.4 The value of living accommodation benefit to be taken into account includes not only that benefit for the employee but also for his spouse, family, servants, dependants or guests.

**5. Computation of value of living accommodation**

- 5.1 The computation of the value of living accommodation provided for employees by employers can be divided into 3 categories as follows -
- i. Living accommodation provided for the employee (other than officers of Government or Statutory Bodies) or service director by the employer;
  - ii. Living accommodation provided for the director (not service director) of a controlled company by the employer; and
  - iii. Living accommodation provided for the employee/service director/officer of the Government/Statutory Bodies.

**5.2 First Category: Living accommodation provided for employee (other than officer of Government/Statutory Bodies) or service director by the employer**

- 5.2.1 The computation is in accordance with paragraph 32(2)(a) of the ITA. The amount of value of living accommodation to be taken into account in the gross income from employment is -

Defined value of the living accommodation Or 30% of the gross income from employment under paragraph 13(1)(a) of the ITA Whichever is the less
---

***Example 1***

Encik Ali, an accountant in a housing development company, has gross income from employment under paragraph 13(1)(a) of the ITA amounting to RM120,000 for the year ended 31.12.2005. His employer also provides for him rent free living accommodation throughout the year 2005. The defined value of the living accommodation is RM24,000.

*Gross income from employment of Encik Ali under paragraph 13(1)(c) of the ITA for Y/A 2005 is calculated as follows:*

$30\% \times RM120,000 = RM36,000$

Or

*Defined value of living accommodation = RM24,000*

*Whichever is the less*

*Therefore, the value of living accommodation benefit received by Encik Ali for Y/A 2005 is RM24,000.*

### **Example 2**

Puan Bee, a senior manager in an oil production company, has gross income from employment under paragraph 13(1)(a) of the ITA amounting to RM240,000 for the year ended 31.12.2005. Her employer provides for her rent free living accommodation benefit in the year 2005. The premises is owned by her employer. The annual value of the premises for the year 2005 as determined by the local authority is RM12,000.

*The gross employment income of Puan Bee under paragraph 13(1)(c) of the ITA for Y/A 2005 is calculated as follows:*

$30\% \times RM240,000 = RM72,000$

Or

*Defined value for the living accommodation = RM12,000*

*Whichever is the less*

*Therefore, the value of living accommodation benefit received by Puan Bee for Y/A 2005 is RM12,000.*

*(Note: Under the circumstances where no rent is paid for the living accommodation, the defined value is the rateable value as determined by the local rating authority for purposes of payment of assessment rates.)*

- 5.2.2 In making the comparison between 30% of the gross income from employment under paragraph 13(1)(a) of the ITA with the defined value of the living accommodation, the comparison should be made in respect of the same period.

### **Example 3**

On 1.7.2005, Encik See commences work with Syarikat XYZ Sdn Bhd, as a research officer. He is paid a salary of RM6,000 a month. Besides this, his employer also provides for him rent free living accommodation until the end of the year. The rent paid by the employer in respect of the living accommodation is RM1,000 a month.

*Gross income from employment of Encik See under paragraph 13(1)(c) of the ITA for Y/A 2005 is calculated as follows:*



$30\% \times (6 \text{ months} \times \text{RM}6,000) = \text{RM}10,800$

Or

*Defined value\* of living accommodation = RM1,000 X 6 months = RM6,000*

*Whichever is the less*

*Therefore, the value of living accommodation benefit received by Encik See for Y/A 2005 is RM6,000.*

*In this example, the comparison between 30% of the gross income from employment under paragraph 13(1)(a) of the ITA and the defined value of the premises is in respect of the same period that is from 1.7.2005 to 31.12.2005.*

*(Note\*: Defined value is the rent paid by the employer on that living accommodation).*

5.2.3 Paragraph 32(3)(c) of the ITA allows the value of living accommodation benefit to be reduced appropriately if:

- i. the living accommodation is shared with other employees;
- ii. the employee is required to reside in the particular premises; or
- iii. the employee is required or expected by the employer to use part of the living accommodation for the advancement of the employer's interests and in order that it may be so used, it is larger than the employee would otherwise need.

The defined value of the accommodation can be appropriately reduced to an amount which is just and reasonable in all the circumstances. Some examples of the basis of apportionment which can be used are:

- by ascertaining the ratio of the floor space used for the employer's business to the floor area of the premises: or
- by calculating the number of days in the year the premises is used for entertaining or accommodating the employer's customers.

5.2.4 In making the adjustment for the reduction of the value of living accommodation benefit, it is only the defined value which is adjusted and not the result of the 30% calculation on the gross income from employment under paragraph 13(1)(a) of the ITA.

#### ***Example 4***

Cik Dee, an anaesthetist in a private hospital, has gross income under paragraph 13(1)(a) of the ITA amounting to RM120,000 for the year ended 31.12.2005. Cik Dee is provided rent free living accommodation benefit throughout the year 2005. This benefit is shared with another



doctor who works at the same hospital. The defined value of that living accommodation is RM30,000.

*Gross income from employment of Cik Dee under paragraph 13(1)(c) of the ITA for Y/A 2005 is calculated as follows:*

$$30\% \times RM120,000 = RM36,000$$

Or

$$\text{Defined value of the living accommodation} = 1/2 \times RM30,000 = RM15,000$$

*Whichever is the less*

*Therefore, the value of living accommodation benefit received by Cik Dee for Y/A 2005 is RM15,000.*

### **Example 5**

Encik Ee, a service director in a controlled company, has gross income from employment under paragraph 13(1)(a) of the ITA amounting to RM150,000 for the year ended 31.12.2005. He is also provided with the benefit of living accommodation rented by his employer at the rate of RM4,000 a month. The living accommodation is too large for his needs and he frequently entertains his employer's clients in the premises provided. He has ascertained that 1/3 of the premises is used for the official purpose of the company.

*Gross income from employment under paragraph 13(1)(c) of the ITA which is taken into account on Encik Ee for Y/A 2005 is:*

$$30\% \times RM150,000 = RM45,000$$

Or

$$\text{Defined value* of the premises} = RM4,000 \times 12 \times 2/3 = RM32,000$$

*Whichever is the less.*

*(Note\*: Defined value is the rent paid by the employer on that living accommodation)*

*Therefore, value of living accommodation under paragraph 13(1)(c) of the ITA is RM32,000.*

## 5.3 **Second Category: Living accommodation provided for directors of controlled companies by the employer**

- 5.3.1 For this category, the computation is in accordance with paragraph 32(3)(a) of the ITA. The value of living accommodation to be taken into account as part of the gross income from employment is -

The defined value of the living accommodation

- 5.3.2 The computation is made without any -
- comparison with 30% of the gross income from employment under paragraph 13(1)(a) of the ITA.
  - adjustment on the defined value of the premises in circumstances if
    - 
    - the premises is larger than the director would otherwise need;  
or
    - the director is required to reside in the particular premises.
- 5.3.3 However, the defined value can be adjusted appropriately if the living accommodation is shared with other employees working in the same company.

**Example 6**

Encik Alf, a director (not a service director) of a controlled company has gross income from employment under paragraph 13(1)(a) of the ITA amounting to RM200,000 for the year ended 31.12.2005. He also enjoyed living accommodation benefit provided for by the employer. Rent paid by his employer towards the living accommodation is RM4,800 a month including rent on the furniture amounting to RM1,200 a month. Throughout the year 2005, the premises is shared with another director who is employed in the same company.

*The computation of the value of living accommodation under paragraph 13(1)(c) of the ITA in respect of Encik Alf for Y/A 2005 is as follows:*

$$\frac{1}{2} \times (RM4,800 - RM1,200) \times 12 = RM21,600$$

*(Note\*: The rent paid on the furniture is excluded from the computation of the value of living accommodation under paragraph 13(1)(c) of the ITA. The rent of RM1,200 each month is considered to be a benefit-in-kind and assessed under paragraph 13(1)(b) of the ITA. However, in determining the gross income from employment under paragraph 13(1)(b) of the ITA, the employer can opt to use the value as determined in the Public Ruling No. 2/2004 on Benefits-in-Kind).*

- 5.4 **Third Category: Living accommodation for employee / service director / Government or Statutory Body officer**



- 5.4.1 Where the living accommodation provided for any employee or director except a director (not a service director) of a controlled company, is -
- i. in a hotel, hostel or similar premises; or
  - ii. any premises in a plantation or in a forest; or
  - iii. any premises which although in a rateable area are not subject to rates,
- the amount to be taken into account as value of living accommodation under paragraph 13(1)(c) of the ITA is -

An amount equal to 3% of the gross income from employment under paragraph 13(1)(a) of the ITA
---

For this category, the computation is in accordance with paragraph 32(2)(b) of the ITA.

- 5.4.2 For government officers in occupation of assisted accommodation for example, mess, chalet or hotel or premises rented from the private sector, the amount to be taken into account as living accommodation benefit under paragraph 13(1)(c) of the ITA is 3% of the gross income from employment under paragraph 13(1)(a) of the ITA without any deduction for rent charged by the Government.
- 5.4.3 However, where officers occupying government quarters have to pay *economic rent* based on the Government ruling, the value of accommodation on such government quarters will not be included as gross income from employment under paragraph 13(1)(c) of the ITA. However, any housing allowance received by the officer will be included as gross income from employment under paragraph 13(1)(a) of the ITA.
- 5.4.4 Where the premises is owned by a statutory body and it is being provided to the employee either rent free or at nominal rent, the amount to be taken into account as living accommodation benefit under paragraph 13(1)(c) of the ITA is 3% of the gross income from employment under paragraph 13(1)(a) of the ITA .
- 5.4.5 Where the premises is owned by the statutory body and the employee occupying it has to pay economic rent based on the Statutory Bodies ruling, the value of accommodation on the premises provided will not be included as gross income from employment under paragraph 13(1)(c) of the ITA.

5.4.6 Where living accommodation is provided in premises which is rented by the statutory body and the employee is not charged rent or charged nominal rent for occupying it, the value of such accommodation is 3% of the gross income from employment under paragraph 13(1)(a) of the ITA.

**5.5 Living accommodation provided for part of the basis period**

5.5.1 Where living accommodation in the first category to the third category is provided for a period of less than 12 months in a basis period, the amount to be taken into account as a benefit under paragraph 13(1)(c) of the ITA should be reduced appropriately.

5.5.2 The basis of reduction is the period for which the accommodation is provided and not the actual period of occupation.

**Example 7**

Where living accommodation that is provided to Encik Ali in Example 1 is for the period from 1.7.2005 to 31.12.2005, his gross income from employment under paragraph 13(1)(c) of the ITA for Y/A 2005 is calculated as follows:

$$30 \% \times RM120,000 = RM36,000$$

Or

$$\text{Defined value of living accommodation} = RM24,000$$

Whichever is the less

The lesser amount is RM24,000.

Therefore, value of living accommodation for the period from 1.7.2005 to 31.12.2005 is:

$$6/12 \times RM24,000 = RM12,000$$

**Example 8**

Where living accommodation that is provided to Puan Bee in Example 2 is for the period 1.4.2005 to 31.12.2005, and she only commences to occupy the premises from 1.7.2005, her gross income from employment under paragraph 13(1)(c) of the ITA for Y/A 2005 is calculated as follows:

$$30\% \times RM240,000 = RM72,000$$

Or

$$\text{Defined value of living accommodation} = RM12,000$$

Whichever is the less

The lesser amount is RM12,000.



*Therefore, living accommodation benefit enjoyed by Puan Bee in this example is:*

$$9/12 \times RM12,000 = RM9,000.$$

*In this example, the reduction is made based on the period the accommodation is provided and not on the actual period of occupation.*

**6. Expenses related to living accommodation provided by the employer which are deductible and method of computation**

6.1 Section 38 of the ITA allows deduction on the following expenses paid by the employee in respect of living accommodation provided:

- a. rent
- b. any public rates or insurance premiums
- c. expenses on repair or maintenance of premises.

***Example 9***

Gee, a manager in a private company, is provided unfurnished accommodation by his employer for the whole year of 2005. The employer has taken the premises on lease at the rate of RM1,000 a month and has required Gee to pay to him RM500 a month. Gee's gross income from employment under paragraph 13(1)(a) of the ITA for the year ended 31.12.2005 is RM30,000.

*The adjusted income from employment for Gee for Y/A 2005 is calculated as follows:*

	<i>RM</i>
<i>Gross income under paragraph 13(1)(a) of the ITA</i>	<i>30,000</i>
<i>Gross income under paragraph 13(1)(c) of the ITA</i>	
<i>30% X RM30,000 = RM9,000</i>	
<i>Or</i>	
<i>Defined value of living accommodation = RM1,000 X 12 = RM12,000</i>	
<i>Whichever is the less</i>	<u><i>9,000</i></u>
<i>Gross income from employment</i>	<i>39,000</i>
<i>Less: rent paid (RM500 X12)</i>	<u><i>6,000</i></u>
<i>Adjusted income from employment</i>	<u><u><i>33,000</i></u></u>

6.2 Where gross income from employment includes the value of furniture provided by his employer in conjunction with living accommodation, rent paid by the employee for the furniture can be allowed as a deduction in computing the adjusted income from employment. The deduction for rent paid by the employee for the accommodation is calculated separately. Paragraph 38(1)(a) of the ITA applies.

- 6.3 Where the accommodation is provided furnished and is held by or on behalf of the employer on lease at what would be the economic rent, if the rent applicable to the furniture is to be disregarded, a proportion of the rent payable by the employee is allowed as a deduction in computing the adjusted income from employment. The deduction allowable is calculated as follows:

$$\frac{\text{Rent payable by employee}}{\text{Rent payable by /on behalf of employer}} \times \text{Economic rent}$$

- subparagraph 38(1)(b)(iv) of the ITA.

**Example 10**

Hedge, a director (not a service director) of a controlled company, has furnished accommodation provided by his employer for the whole year of 2005. He pays his employer rent of RM12,000 per annum. The employer has taken the accommodation on a lease at a rent of RM7,500 per month. The economic rent i.e the rent per month excluding the cost of the furniture is RM6,000. Hedge's gross income from employment under paragraph 13(1)(a) of the ITA for the year ended 31.12.2005 is RM200,000.

*Hedge's adjusted income from employment for the Y/A 2005 is calculated as follows:*

	<i>RM</i>	<i>RM</i>
Gross income under paragraph 13(1)(a) of the ITA		200,000
Gross income under paragraph 13(1)(b) of the ITA		
Furniture (RM7,500 - RM6,000) X 12	=	18,000
Gross income under paragraph 13(1)(c) of the ITA		
RM6,000 X 12	=	<u>72,000</u>
Gross income from employment		<u>290,000</u>
Less:		
House rent:		
RM12,000 X RM72,000 = RM9,600 (subpara 38(1)(b)(iv) ITA)		
RM90,000		
Furniture:		
RM12,000 - RM9,600 = RM2,400 (para. 38(1)(a) of the ITA)		
Total expenses allowable		<u>12,000</u>
Adjusted income from employment		<u>278,000</u>

- 6.4 Where furnished accommodation is provided and paragraph 6.3 of this Ruling does not apply, a proportion of the rent payable by the employee is allowed as a deduction in computing the adjusted income from employment. The deduction allowable is calculated as follows:



Rent payable by employee  
 \_\_\_\_\_ x Defined value  
 Aggregate of economic rent and rent appropriate to the market value of furniture  
 - subparagraph 38(1)(b)(v) of the ITA

**Example 11**

Jay, a director (not a service director) of a controlled company, is provided furnished accommodation for the whole year of 2005 with the requirement that he pays rent of RM8,400 per annum to his employer. The premises is leased from an associated company at an annual rate of RM18,000. The commercial rate is RM36,000 per annum while the annual rent for the furniture is RM12,000. Jay's gross income from employment under paragraph 13(1)(a) of the ITA for the year ended 31.12.2005 is RM120,000.

*Jay's adjusted income from employment for Y/A 2005 is calculated as follows:*

	<i>RM</i>
Gross income under paragraph 13(1)(a) of the ITA	120,000
Gross income under paragraph 13(1)(b) of the ITA	12,000
Gross income under paragraph 13(1)(c) of the ITA	
- defined value	<u>36,000</u>
Gross income from employment	168,000
Less:	
Rent	
<u>RM8,400</u> x RM36,000 = RM6,300 (subpara. 38(1)(b)(v) ITA)	
RM48,000*	
Furniture	
RM8,400 - RM6,300 = RM2,100 (paragraph 38(1)(a) ITA)	
Total expenses deductible	<u>8,400</u>
Adjusted income from employment	<u>159,600</u>

*(Note\* This figure of RM48,000 comprises rent of premises RM36,000 and rent of furniture RM12,000).*

- 6.5 The deduction for rent paid in respect of living accommodation and furniture must not exceed the value of living accommodation and furniture taken into account in computing the gross income from employment - subsection 38(3) of the ITA.

**Example 12**

Kay, a production manager in a manufacturing company, is provided with furnished accommodation for the whole year of 2005. The defined value of the accommodation is RM16,200 while the value of furniture is RM2,400 per



annum. Kay is required to pay rent of RM2,000 per month to her employer for the benefit of the accommodation and furniture. Kay's gross income from employment under paragraph 13(1)(a) of the ITA is RM60,000 for the year ended 31.12.2005.

*Adjusted income from employment of Kay for Y/A 2005 is calculated as follows:*

	RM
Gross income under paragraph 13(1)(a) of the ITA	60,000
Gross income under paragraph 13(1)(b) of the ITA	2,400
Gross income under paragraph 13(1)(c) of the ITA	
30% X RM60,000 = RM 18,000 or Defined value = RM16,200	
Whichever is the less	<u>16,200</u>
Gross income from employment	78,600
Less:	
Rent:	
$\frac{RM24,000}{RM18,600} \times RM16,200 = RM20,903$ (subpara. 38(1)(b)(v) ITA)	
Furniture:	
$RM24,000 - RM20,903 = RM3,097$ (paragraph 38(1)(a) ITA)	
= RM24,000 restricted to	<u>18,600</u>
Adjusted income from employment	<u>60,000</u>

7. In computing the value of living accommodation for administrative officers and staff of the public service, paragraph 13(1)(c) of the ITA must be computed based on 3% of the gross income under paragraph 13(1)(a) of the ITA which also includes allowances received in the course of performing official duties which are treated as wholly expended for income tax purposes.

### **Example 13**

Encik Ali bin Abu, a senior Government officer is provided with rent free furnished living accommodation by the Government. Gross income from employment received by Encik Ali for the year ended 31.12.2005 are as follows:

- salary - RM108,600;
- annual bonus - RM5,255;
- special allowance - RM43,200;
- house maintenance allowance - RM3,000;
- entertainment allowance - RM55,200;
- domestic servant allowance - RM12,000;
- driver assistance allowance - RM14,793.

All these allowances have been treated as wholly expended in the course of performing his duties for tax purposes.



**LEMBAGA HASIL DALAM NEGERI  
MALAYSIA**

**LIVING ACCOMMODATION BENEFIT  
PROVIDED FOR THE EMPLOYEE  
BY THE EMPLOYER**

**Public Ruling No. 3/2005**

**Date of Issue: 11 August 2005**

*Adjusted/statutory income from employment of Encik Ali bin Abu for Y/A 2005 is calculated as follows:*

	<b>RM</b>	<b>RM</b>	<b>Sections of the ITA</b>
Salary		108,600	para. 13(1)(a)
Special allowance	43,200		para. 13(1)(a)
House maintenance allowance	3,000		para. 13(1)(a)
Annual bonus	5,255		para. 13(1)(a)
Entertainment allowance	55,200		para. 13(1)(a)
Driver assistance allowance	14,793		para. 13(1)(a)
Domestic servant allowance	<u>12,000</u>	<u>133,448</u>	para. 13(1)(a)
Gross income under para. 13(1)(a)		242,048	
Gross income under para. 13(1)(b) Furniture		3,360	Public Ruling No. 2/2004
Gross income under para. 13(1)(c) 3% x 242,048		<u>7,261</u>	subpara. 32(2)(b)(iii)
<b>Gross income from employment</b>		252,669	subsection 13(1)
<b>Less:</b>			
Expenses treated as wholly expended:			
House maintenance allowance	3,000		
Entertainment allowance	55,200		
Driver assistance allowance	14,793		
Domestic servant allowance	<u>12,000</u>	<u>84,993</u>	subsection 33(1), sections 38 & 38A
Adjusted/statutory income from employment		<u>167,676</u>	section 42

8. This Ruling is effective for the year of assessment 2005 and subsequent years of assessment.

**Director General  
of Inland Revenue**